

## **BUDGET-RELATED TERMS**

**Accrual Basis** – The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences to the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

**Adopted Budget** – Refers to the budget amounts as originally approved by the Board of County Commissioners at the beginning of the year and also to the budget document, which consolidates all beginning-of-the-year operating appropriations and new capital project appropriations.

**AFSCME** – American Federation of State, County and Municipal Employees.

**Appraise** – To make an estimate of value, particularly the value of property.

**Appropriation** – The legal authorization of the Board of County Commissioners for the departments, elected officials and agencies of the County, which approves their budgets and allows them to make expenditures and incur obligations for specific purposes within the amounts approved.

**Arbitrage** – The difference between the interest paid on the tax-exempt securities and the interest earned by investing the security proceeds in higher-yielding taxable securities. IRS regulations govern arbitrage on the proceeds from issuance of municipal securities.

**Arbitrage Agent** – One who calculates arbitrage.

**Assess** – To value property officially for the purpose of taxation.

**Assessed Valuation** – A valuation set upon real estate and other property by a government as a basis for levying taxes. In Ohio, real estate property is assessed at 35% of market value.

**Balloon Maturity** – A later maturity within an issue of bonds that contains a disproportionately large percentage of the principal amount of the original issue.

**Bond** – A written promise to pay a specific sum of money, called the face value or principle amount, at a specific date or dates in the future, called the maturity dates, together with a periodic interest at a specific rate.

**Bond Anticipation Notes (BANs)** – Notes that are paid from the proceeds of the issuance of long-term bonds. Typically issued for capital projects.

**Budget** – The financial plan for the operation of a program or organization for the fiscal year, or for the completion of a project.

**Budget Gap** – The amount by which the budgeted expenditures exceed the estimated revenues. The budget gap does not represent a projection of actual results, but indicates what would occur if revenues came in as certified and if expenditures were equal to the budgeted amounts.

**Budget Negotiations** – Meeting held between the Office of Management and Budget, the departments, elected officials and the County agencies to discuss the budget for the fiscal year. The departments make requests for their expenditures before the budget is presented to the Board of County Commissioners.

**Budget Preparation Package** – includes the mission statement, organization charts and personnel charts, the planning model and the appropriation preparation materials.

**Bullet Maturity** – A maturity for which there are no principal and/or sinking fund payments prior to the stated maturity date.

**Call Provisions** – The terms of the bond giving the issuer the right to redeem all or a portion of a bond prior to its stated date of maturity at a specific price, usually at or above par.

**Capital Improvement Budget** – The capital projects approved and funded through the Capital Improvement Program.

**Capital Improvement Program (CIP)** – The schedule of capital improvement projects which encompasses all funding sources and all organizational units of the county government.

**Capitalized Interest** – A portion of the proceeds of a bond issue that is set aside to pay interest on the same bond issue for a specific period of time. Interest is commonly capitalized for the construction period of the project.

**Capital Project** – The largely one-time cost for acquisition, construction, improvement, replacement, or renovation of land, structures and other improvements thereon. In addition, equipment is considered a capital project if it is \$50,000 or more in cost, except that rolling-stock equipment is not considered a capital project regardless of cost.

**Cash Basis** – A basis of accounting under which transactions are recognized only when cash is received or disbursed.

**CIP Committee** – A committee consisting of the County Administrator, Assistant Administrators, Director of the Office of Management and Budget, Director of Facilities, Director of Risk Management, and the ADA Coordinator which evaluates the general project requests according to specific criteria and submits its recommended list of ranked projects to the Board of County Commissioners.

**Commercial Paper** – Very short-term, unsecured promissory notes issued in either registered or bearer form, and usually backed by a line of credit with a bank.

**Competitive Sale** – A sale/auction of securities by an issuer in which underwriters or syndicates if underwriters submit sealed bids to purchase the securities. Contrast to a negotiated sale.

**Comprehensive Annual Financial Report (CAFR)** – The official annual financial statement of a government. It includes five combined statements – overview and basic financial statements for each individual fund and account group prepared in conformity with GAAP and organized into a financial reporting pyramid. Also included are supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material and a statistical section.

**Continuing Disclosure** – The principle that accurate and complete information material to the transaction which potential investors would be likely to consider material in making investment decisions with respect to the securities be made available on an ongoing basis.

**Credit Enhancement** – Credit support purchased by the issuer to raise the credit rating of the issue. The most common credit enhancements consist of bond insurance, direct or standby letters of credit, and lines of credit.

**Debt** – An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, notes, and floating debt.

**Debt Limit (Direct Legal Debt Margin)** – The maximum debt a governmental unit may incur under constitutional, statutory or charter requirements, either in total or as a percentage of assessed value. In Ohio, the direct legal debt margin is calculated as a percentage of assessed valuation. Depending on the type, this percentage ranges from 1% (unvoted) to 3% (voted).

**Debt Service Coverage** – Net revenue available for debt service divided by debt service.

**Debt Service Fund** – A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Debt Service Reserve Fund** – The fund which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements.

**Deep Discount Bonds** – Bonds that are priced for sale at a substantial discount from their face or par value.

**Deficit** – The excess of the liabilities of a fund over its assets, or the excess of expenditures over revenues during an accounting period.

**Derivatives** – A financial product whose value is derived from some underlying asset value.

**Designation Policies** – Outline how an investor's order is filled when a maturity is oversubscribed when there is an underwriting syndicate. The senior managing underwriter and issuer decide how the bonds will be allocated among the syndicate. There are three primary classifications of orders that form the designation policy: Group Net orders; Net Designated orders and Member orders.

**Econometric Forecasting** – A technique used to forecast, which combines statistical methodology with economic principals.

**Encumbrance** – An amount of money committed and set aside, but not yet expended, for the purchase of a specific good or service.

**Enterprise Fund** – A fund established to account for operations that are run similar to private business enterprises, in which the costs of providing the goods and services are recovered primarily through user charges.

**Escrow** – A fund established to hold moneys pledged and to be used to pay debt service on an outstanding issue.

**Expenditure** – An actual payment made by county warrant (check) or by interfund transfer for internal county bills.

**Fixed Rate** – Means the interest rate for the debt is determined on the date the issue is sold.

**Full Faith and Credit** – A pledge of the general taxing authority for the repayment of debt. Bonds carrying this pledge are also known as general obligation bonds.

**GAAFR (Government, Accounting, Auditing, and Financial Reporting)** – The “Blue Book” published by the Government Finance Officers Association (GFOA) to provide detailed guidance for the application of accounting principals for governments.

**GAAP (Generally Accepted Accounting Principals)** – Standards used for financial accounting and reporting as determined by the Governmental Accounting Standards Board (GASB), which are different for governmental than for business.

**General Fund** – The fund used to account for all financial resources except for those required to be accounted for in another fund. This fund is generally considered the barometer for the financial condition of the County.

**Indenture** – Legal documents describing the terms and conditions of a bond offering, the rights of the bondholder, and the obligations of the Issuer to the bondholder. The document is alternatively referred to as a bond resolution or deed of trust.

**Indirect Costs** – Those elements of cost necessary in the performance of a service, which are of such a nature that the amount applicable to the service cannot be readily determined. Usually relates to rent, utilities, supplies, management, supervision, etc.

**Intergovernmental Revenues** – Revenue from other governments, primarily federal and state grants, but also payments from other local governments.

**Internal Service Fund** – A fund used to account for the financing of goods or services of one agency of a government to other agencies of the government, or to other governments, on a cost reimbursement basis.

**IBEW** – International Brotherhood of Electrical Workers.

**Junior Lien Bonds** – Bonds with a subordinate claim against pledged revenues.

**Leases** – Are a form of financing which provide different balance sheet treatments are methods of pledging revenue sources.

**Letters of Credit** – A bank credit facility wherein the bank agrees to lend a specified amount of funds for a limited term.

**Levy** – To impose taxes, special assessments, or service charges for the support of government activities.

**Local Government Fund** – A form of state revenue –sharing by which the State of Ohio sets aside certain percentages of the state sales and use, personal income, corporate franchise, and public utility excise taxes for distribution to local governments.

**Local Government Revenue Assistance Fund** – Created by the State of Ohio 1988-89 Appropriation Act (Am. Sub. H.B. 171), it is similar to the Local Government Fund in that it is a state revenue-sharing program and the same sources of state revenue are “shared” in this program. The difference is that this fund is distributed to counties based strictly on population. Receipt of this new revenue source began in 1989.

**Long-term** – Generally means more than one year.

**Management Fee** – The fixed percentage of the gross spread which is paid to the managing underwriter for the structuring phase of a transaction.

**Members** – Underwriters in a syndicate other than the senior underwriter.

**Modified Accrual Basis** – Under the modified accrual basis, revenues for these funds are recognized when they become both measurable and available to finance county operations (collected within sixty days after year-end). Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for interest and principal on general long-term debt, which is recorded when due.

**Moody’s Median** – Key financial, debt, economic and tax base statistics with median values for each statistic presented.

**Negotiated Sale** – A method of sale in which the issuer chooses one underwriter to negotiate terms pursuant to which such underwriter will purchase and market the bonds.

**Net Revenue** – Defined in greater detail by the Issuer’s Indenture. Net Revenue is the difference between gross revenue and operating and maintenance expenses.

**Non-Tax Revenue Pledge** – A method of providing bondholders with additional security for revenue debt. Revenue debt that has insufficient pledged revenues for debt service would be able to use non-tax revenues to make up shortfalls if that pledge has been made. This pledge is less than general obligation since taxes are not pledged. Examples of funds pledged are licenses and permits, fines and forfeitures and interest income.

**OPBA** – Ohio Patrolmen’s Benevolent Association.

**Operating Budget** - The annual budget and process that provides a financial plan for the operation of government and the provision of services for the year. Excluded from the operating budget are one-time capital projects that are determined by a separate, but interrelated process.

**Original Issue Discount** – The amount by which the original par amount of an issue exceeds its public offering price at the time it is originally offered to an investor.

**Pay-As-You-Go** – An issuer elects to finance a project with existing cash flow as opposed to issuing debt obligations.

**Premium Bond** – A bond whose price is above par.

**Present Value** – The current value of a future cash flow.

**Private Placement** – The original placement of an issue with one or more investors as opposed to being publicly offered or sold.

**PGO** – Professionals Guild of Ohio.

**Proposed Budget** – The recommended county budget submitted by the County Administrator to the Board of County Commissioners in late November or early December each year.

**Reserves Fund** – The unencumbered year-end cash balance of the General Fund, or any other fund.

**Revenue Anticipatory Debt** – A method of improving cash flows by selling debt which will be retired with a certain revenue source to be received at a specific later date.

**Revenue Debt** – Pledges only a certain revenue source for the payment of annual principal and interest payments. If those resources are not sufficient, the County has no legal requirement to make payments although it may choose to do so.

**Selling Groups** – The group of securities dealers who participate in an offering not as underwriters but rather who receive securities less the selling concession from the managing underwriter for distribution at the public offering price.

**Short-term** – Generally means less than one year.

**Special Assessment Bonds** – Bonds payable from the proceeds of special assessments.

**Special Assessment Fund** – A fund used to account for the financing of public improvements or services deemed to benefit primarily the properties against which assessments are levied.

**Special Revenue Fund** – A fund used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or capital projects) that are legally restricted for specified purposes.

**Syndicate Policies** – The contractual obligations placed on the underwriting group relating to distribution, price limitations and market transactions.

**Tax Budget** – A budget process required by the State of Ohio for each local government to demonstrate the need for taxes that it plans to levy and is used in most counties to allocate the Local Government Fund to jurisdictions within the County.

**Tax-exempt** – Refers to debt sold by the County that allows bondholders to exclude the interest income from their federal tax return.

**Tax Increment Bond** – Bonds whose repayment is secured by special assessments on landowners whose property stands to benefit from development or redevelopment.

**Trust Fund** – Funds used to account for assets held by a government in a trustee capacity.

**UAW** – United Automobile, Aerospace and Agricultural Implement Workers of America.

**Underwriter** – A dealer that purchases new issues of County securities from the issuer and resells them to investors.

**Underwriters Discount** – The difference between the price at which bonds are bought by the Underwriter from the Issuer and the price at which they are re-offered to investors.

**Unencumbered Balance (Reserves)** – The year-end cash balances of a fund, less outstanding encumbrances. The unencumbered balance at year-end in a fund together with the estimated revenues for the upcoming year determine the maximum amount available for appropriation in the next year's budget.

**Variable Rate Debt** – An interest rate on a security that changes at intervals according to an index, a formula or other standard of measurement as stated in the bond contract.

**Zero-Coupon Bonds** – Bonds sold at a deep discount, and without a coupon, appreciating to full value at maturity. Also known as capital appreciation bonds.

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